Power has become centralised in Greek politics since the crisis and this is unlikely to change under Syriza

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Numerous studies have sought to capture the economic effect of the Greek debt crisis on the country, but how has the crisis affected the balance of power between central and regional/local authorities in Greece? **Eleftherios Antonopoulos** *writes that the reaction to the crisis has significantly weakened local and regional levels of government. He also notes that the fact that Syriza and the Independent Greeks are not strongly represented at the level of local and regional politics ensures this is unlikely to change under the current ruling coalition.*

The Greek government's attempts to renegotiate the terms of the country's loan arrangements have rekindled media and academic interest in the country. However, the emphasis on intergovernmental deliberations and the technocratic aspects of macro-economic policies has obscured the challenges of implementation as a major aspect of fiscal policy-making. This is acquiring increasing importance for shaping policy outcomes under conditions of austerity.

Paradoxically, Greece's implementation record has largely evaded the attention of both the Greek government and its Eurozone partners. In fact, Greece's austerity measures have tilted the balance of power in favour of the central government and associated vested interests, while regional and local governance structures and services have been unequally affected. Issues of spatial equity and democratic participation have thereby been exacerbated.

The decline of subnational governance in Greece

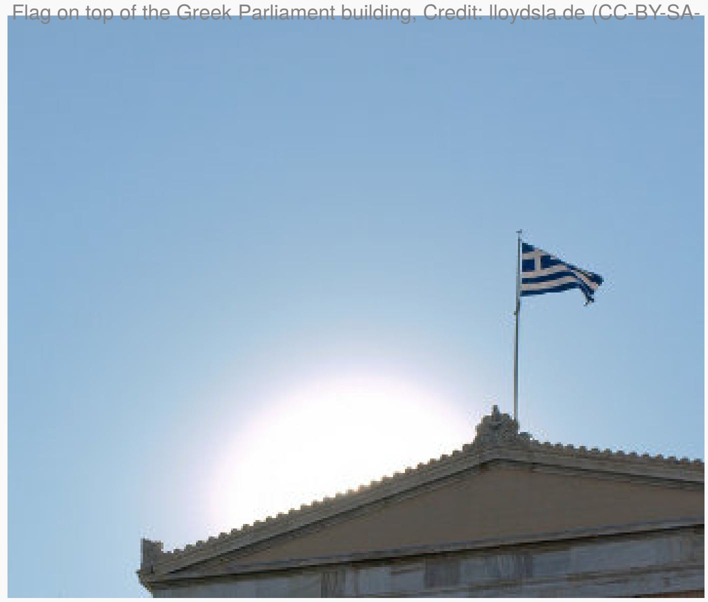
Contrary to international perceptions, the actions of Greece's new ruling coalition already demonstrate continuity with the past. Ever since Greece's accession to the EEC in 1981, a change of party in government has signalled attempts to achieve derogations from previous agreements or a renegotiation of terms. The new Greek government's positions are not an exception to this rule of thumb.

A 1982 memorandum by the Greek authorities claimed that differences in levels of development between Greece and the EEC constituted an unequal partnership which required special treatment in order to be remedied. In 2004 a new conservative government cast doubts over the integrity of official data supplied to the Commission, even those used to determine Greece's EMU accession. The Papandreou government that followed discovered a hidden fiscal deficit of 15.4 per cent of GDP and an accumulation of 57 billion euros of national debt in 2007-2009.

Austerity may have further spelled a decline in state fiscal capacity as stressed in the academic literature, but that is even more so for sub-national governance institutions in Greece. Streeck and Elsäser's typology, which considers peripheral Eurozone countries as displaying preferences for consumption-driven and nationally controlled financial transfers, can be corroborated with the Greek case.

Namely a recurring pattern in Greek central government policy has been to safeguard its role as a gatekeeper of EU budgetary transfers and stress regional or social income disparities before EU institutions in order to be granted higher discretion in national budget execution. With regard to Greece's regional and urban policy, a sequence of post-EEC accession governments have been preaching devolution but using EU mandated austerity to practice centralisation.

The overarching domestic development goal in Greece has been national convergence, which has also been reflected in EU structural and regional policy. In that sense EU structural funds have been persistently used as a substitute for missing regional development policies. Early implementation set the trend for the future thanks to the already low levels of public investment at the time of the first verifications of the additionality principle in the late 1980s and lenience by Commission services that did not move beyond raising concerns. In the run-up to Greece's affirmative vote for the Maastricht Treaty the country has been promised –and delivered – a doubling of structural funds resources. Further centralisation was signalled by the creation of the Cohesion Fund in 1994, which is managed on a national territory basis.



Flag on top of the Greek Parliament building, Credit: lloydsla.de (CC-BY-SA-3.0)

Over the last two decades, the process of administrative and fiscal decentralisation produced mixed results and backsliding has occurred since the onset of the recession. In this respect both the 1997 *Kapodistrias* and the 2011 *Kallikratis* administrative reform plans which were pursued in Greece have been largely concerned with a reform or merger of structures, ceding responsibilities rather than providing a financial arm to the regional and local governments and offering a sustainable revenue base.

Following Greece's entry into a rescue programme in 2011, regions and municipalities have been subjected to discretionary reductions in transfers and tight expenditure reduction targets, although sub-national government debt accounts for merely 1 per cent of the total public debt. Thus an already weak regional and local capacity for public services delivery has been further weakened by the national government's channelling of the fiscal adjustment effort at the expense of subnational finances.

Both the new Greek government's pre-election agenda and post-election policy priorities constitute an escalation of policy choices pursued by previous governments. Thus, a frontloaded implementation of the Partnership Agreement (PA) for the implementation of the EU Structural and Investment Funds (ESIF) programmes for 2014-2020 in Greece is planned. Furthermore the government so far maintains plans for central management of a large part of those resources in the Ministry of Economy.

No commitments have been undertaken towards conferring management responsibilities to municipalities for territorial investments of sustainable urban development type and community-led local development initiatives. Greece's authorities are uneasy with regard to thematic concentration and conditionalities in the 2014-20 period and the *ex ante* requirement for a smart specialisation strategy in Greek regions is an additional concern.

The government's emphasis on regaining sovereignty and alleviating social hardship through short-term transfers is therefore in line with the policies pursued in the past three decades. Government pledges already point towards addressing social exclusion and material deprivation for the segment of the population worst affected by the crisis through a further centralisation of EU resources, rather than on the basis of a long-term plan to boost regional growth, jobs and competitiveness. National decision makers also stress the importance of EU financial instruments such as the PA and the Juncker package for a return to growth as the only potential sources of a development policy in Greece. However maximisation of fiscal transfers and emphasis on absorption may only work at best as a quick demand-side fix.

The negative scenario is that given Greece's financial situation and lack of competitive economic basis the authorities still have a perverse incentive to focus on maximising short-term absorption. Results orientation and sub-national capacity building could break the cycle of aid dependence from EU financial transfers, as was the case with other past net beneficiaries of the EU budget (for instance Ireland).

The ruling coalition parties also lack strong influence and representation at the regional and local level, which can be another disincentive for fiscal decentralisation. In a nutshell, centralised policy-making in Greece keeps producing adverse outcomes for regional development which severely antagonise the sustainability and legitimacy of sub-national forms of spatial governance.

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Note: This article gives the views of the author, and not the position of EUROPP – European Politics and Policy, nor of the London School of Economics.

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